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CAFTA-DR

Congress passed and President Bush signed the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) on August 2, 2005. The agreement was initially submitted to the United States (U.S.) Congress on June 23, 2005. Even though the agreement passed Congress, some pondered the willingness of the U.S. Congress to pass future trade agreements due to the closeness of the vote (217-215) in the House of Representatives. The result could be the creation of free-trade zones without the U.S.

CAFTA-DR includes the countries of U.S., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominica Republic. Collectively, the CAFTA-DR countries would make up the second largest U.S. export market in Latin America. The market would be larger than Brazil, Australia, and the combined countries of Russia, India and Indonesia. Under the agreement each country will provide immediate duty-free access on chicken leg quarters through country specific TRQs that expand annually as duties are eliminated in 17-20 years.

Sources: USDA/FAS and various news sources

China

On July 21, 2005, the People's Republic of China (PRC) announced they would no longer peg its currency to the U.S. dollar, but instead let it float in a tight band against a basket of foreign currencies. The action drew to conclusion a process that had been initiated in 2003. The yuan had been pegged to the U.S. dollar for about 10 years. The currency basket approach is currently used by Singapore. The Chinese central bank revalued the yuan (sometimes called renminbi) to 8.11 to the dollar, a 2% increase in value to the dollar. China had been placed under increasing political pressure from European Countries and the U.S. to revalue the yuan, including the threat of U.S. trade sanctions, to as much as 10%. Although, some analysts feel the yuan could increase in value 10-15% over time, others feel it is undervalued by as much as 50%.

The yuan will also be allowed to trade in a tight .3% band against the basket of foreign currencies, even though the currencies went unnamed. The yuan's closing price would be announced each day by the central bank and that closing price would be the midpoint of the next day's trading band. The managed float will give China control over currency movement and some degree of control if the economy slows down or overheats.

Due to the increased reliance Asia has on China's economy, Malaysia abandoned its currency dollar peg and adopted a managed float against a basket of foreign currencies. The Singapore dollar initially rose 2% against the U.S. dollar after China's announcement, but eased after apparent intervention by the central bank. The dollar weakened immediately during this time frame also against Japan's currency, the yen, from Y112 to Y110, but remained well above the Y105 level set by the finance ministry. Japan put the ceiling in place because of the need to protect its export led economic recovery. The yen has long been used as a proxy for the yuan since many investors can't bet directly on the yuan. Hong Kong has indicated that for the time being it would keep its currency peg against the U.S. dollar.

China's revaluation of the yuan caused stock markets in India to go up due to hopes it would make China's exports more expensive and theirs more competitive. Also, Australia's and Singapore's markets rose in hopes of more trade. Some analysts feel China's revaluation

and potential appreciation over time could draw fresh money into Asian markets as a whole and pave the way for other Asian currencies to appreciate. Asian countries were previously reluctant to let their currencies appreciate since for decades their growth had been fueled by selling low cost goods to the developed world and the competition was fierce. With China raising their currency, other Asian countries will feel less pressure to hold theirs. A possible benefit to a tandem appreciation in currencies would be increased domestic consumption and a possible drawback of the stronger Asian currencies is that it could affect their exports.

The revaluation of the yuan could also affect the U.S. economy because China has been a major buyer of U.S. debt. If China feels the need to buy fewer U.S. dollars and Treasury bonds, it could push yields up and in turn affect real estate mortgages and imports. The value of the dollar could also be affected by what happens to the U.S. economy and if interest rates continue to rise. Other keys in the value of the dollar include whether the Asian countries increase their diversification into euros, even though China has \$700 billion in reserves and can defend its currency, other Asian countries may not be able to as was illustrated by the 1997 currency crisis and finally the U.S. trade deficit.

A reason for China's decision to revalue their currency is that their domestic growth has continued to accelerate reflecting thriving exports, but also causing some domestic overheating which authorities have been trying to contain. In 2004, China's real GDP growth was projected at 9.5%, 2005 9.0% and 9.2% in 2006. In 2004, inflation was projected at 3.9% for 2005 and 2006 at 4%. The increase in growth for China in 2004 came despite tighter fiscal policy and strengthened controls over investment. The later were only partially effective as high profitability continued to drive outlays in the private sector. The high profitability may be caused in part by continued serious infringements of intellectual property rights including on U.S. food and agricultural products. The infringements continue to occur even though China has strengthened its legal frame work and enforcement of intellectual property rights.

The continued rapid growth and urbanization in China has led consumers to move away from staple foods to greater quantities of meat in their diets. The average city dweller's daily intake of vegetables has dropped 21% and fruit by 13% from 1992-2002. Meanwhile, between 1996-2003 Chinese meat production has increased by 51% with pigs and poultry comprising the greatest portion of the increase. China's domestic market so far has met the increased demand for meat production with imports only playing a peripheral role. However, some expect meat consumption to increase to 73 kilograms per person by 2020 in China from 5 kilograms in 1993. In order to cope with this increased demand, a stronger import market may need to be established.

On July 11, 2005 U.S. Secretary of Agriculture Mike Johanns and Minister Li Changjiang of China's General Administration of Quality Supervision, Inspection and Quarantine reached an agreement on a memorandum of understanding (MOU) to improve bilateral cooperation on animal and plant health and food safety. The MOU will provide a forum to seek resolution of bilateral technical food safety issues and promote scientific exchange to solve technical barriers to trade on items like meat, poultry and eggs and other

Source: various news sources

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Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S./Canadian Live Poultry Slaughtered Under Inspection**

W/E 30-Jul-05 (PRELIMINARY)

U.S. Exports to Canada, in Pounds (000) (Preliminary)

Week Ending July 30, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	211	415	10,366	8,160
Frozen	0	0	113	11
Dried	0	0	394	427
Total	211	415	10,873	8,598

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending July 30, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Liquid	148	323	4,301	4,741
Frozen	0	46	610	1,124
Dried	0	78	346	1,765
Total	148	447	5,257	7,630

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending July 30, 2005	Year-To-Date			
TYPE	2005	2004 1/	2005 2/	2004
Jumbo	14	17	130	271
Extra Large	2,244	10,860	132,613	99,686
Large	3,300	10,998	220,217	217,229
Medium	2,772	3,762	61,202	71,739
Ungraded	0	2,376	61,948	176,562
Misc	0	0	7,753	16,010
Total	8,330	28,013	483,863	581,497

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Source: USDA/AMS Poultry Programs, Market News Branch.

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,258	1,671	2,929
Last Week	1,442	1,558	3,000
Same week yr ago	1,395	1,450	2,845
To-date/2005	45,837	41,941	87,778
To-date/2004	40,505	39,349	79,854

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	78	0	78
Last Week	308	0	308
Same week yr ago	273	0	273
To-date/2005	7,984	33	8,017
To-date/2004	7,420	90	7,510

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,336	1,671	3,007
Last Week	1,750	1,558	3,308
Same week yr ago	1,668	1,450	3,118
To-date/2005	53,821	41,974	95,795
To-date/2004	47,925	39,439	87,364

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Aug 05, 2005

CHICKEN WITH SKIN ADDED

--- PRICES ---		---- VOLUME ----		
FAT	FROZEN	FRESH	TOTAL	EXPORT
CONTENT				
15% OR LESS				
RANGE	-	26.00	81,600	-
WTD AVERAGE		26.00		
15-20%				
RANGE	18.00-29.00	15.00-26.00	1,870,400	285,600
WTD AVERAGE	20.03	19.30		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Aug 05, 2005

CHICKEN WITH SKIN ADDED

--- PRICES ---		---- VOLUME ----		
FAT	FROZEN	FRESH	TOTAL	EXPORT
CONTENT				
15% OR LESS				
RANGE	21.50	21.50-24.00	446,000	206,000
WTD AVERAGE	21.50	22.75		
15-20%				
RANGE	21.00-27.50	17.00-23.00	1,120,000	520,000
WTD AVERAGE	23.95	20.80		
20% OR MORE				
RANGE	-	14.00-19.00	80,000	-
WTD AVERAGE		16.50		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 5 AUGUST 2005.

The market tone on tom drums, necks and full-cut wings was steady to barely steady, and tom 2-joint wings steady to instances firm. Demand light on tom drums, necks, and tom full-cut wings; light to moderate on tom 2-joint wings with buyer resistance noted at current market levels. Offerings of tom drum drums and full-cut wings adequate to fully adequate with lower trending offering prices being noted, tom necks adequate and becoming increasingly more available, tom 2-joint wings extremely light to light and held with confidence. Trading slow to moderate centering on fresh tom breast meat and fresh -20% mechanically separated turkey for domestic shipments. For domestic: mature hen drums 40, fresh scapula 105, Grade A non-basted rib breasts - 12-14 lb. 155, 14-16 lb. 160, 16-20 lb. 165, plant grade non-basted 18-20 lb. breasts 155 cents delivered. For export: fresh thigh meat 87 cents delivered.

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME	WEEKLY	WEEKLY
FRIDAY, AUGUST 05, 2005	RANGE	CODE 1/	PRICE	(000)	PRICE	VOLUME
DRUMSTICKS, TOMS	49.00		49.00	40	49.44	252
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM		R	32.00	104	32.00	104
TAILS		R	31.00	40	31.00	40
MECHANICALLY SEPARATED 2/	26.00		26.00	80	26.00	134
THIGH MEAT - FROZEN	88.00		88.00	40	86.50	80
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
THURSDAY, AUGUST 04, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	49.00-49.50		49.17	120		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM	32.00		32.00	104		
TAILS	31.00		31.00	40		
MECHANICALLY SEPARATED 2/		W	26.00	54		
THIGH MEAT - FROZEN		T	85.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
WEDNESDAY, AUGUST 03, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	50.00		50.00	52		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM		R	31.00	312		
TAILS						
MECHANICALLY SEPARATED 2/	26.00		26.00	54		
THIGH MEAT - FROZEN		T	85.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
TUESDAY, AUGUST 02, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	50.00		50.00	40		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM		R	31.00	312		
TAILS						
MECHANICALLY SEPARATED 2/		W	26.00	104		
THIGH MEAT - FROZEN	85.00		85.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
MONDAY, AUGUST 01, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		F	51.50	80		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM		R	31.00	312		
TAILS						
MECHANICALLY SEPARATED 2/		W	26.00	104		
THIGH MEAT - FROZEN		F	85.35	520		

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.